Yukon Economic Outlook 2001

Whitehorse, Yukon
March 2001

Yukon
Economic Development
Economic Research & Analysis

© 2001 Department of Economic Development
Yukon Government
Box 2703
Whitehorse, Yukon
Y1A 2C6

phone: (867) 667-5466
fax: (867) 667-8601

ISSN 1209-0034

Also available at:
http://www.economicdevelopment.yk.ca/

Table of Contents

1. Outlook for Global, U.S. and Canadian Economies 1

- *Global Economy* 1
- *United States Economy* 2
- *Canadian Economy* 3

2. Outlook for the Yukon Economy 4

- *Economic Output* 4
- *Population* 5
- *Labour Force and Employment* 6
- *Consumer Prices* 7
- *Mineral and Commodity Prices* 8

3. Sectoral Outlook 9

- *Mining* 9
- *Oil and Gas* 10
- *Forestry* 11
- *Other Renewable Resources* 12
- *Construction* 13
- *Communication and Utilities* 14
- *Tourism* 15
- *Government* 16
- *Retail and Wholesale Trade* 17

Table of Key Economic Indicators 19

Sources for Indicators 20

1. Outlook for the Global, U.S. and Canadian Economies

Global Economy

The economic outlook for the global economy has changed significantly since the end of last year.

Virtually all regions of the world, except Japan, experienced economic growth of over three percent in 2000. With the recent downturn in the United States economy, forecasts for economic growth in many other industrialized countries are now being downgraded.

Global Economic Forecast
Real GDP Growth

Region	*2001*	*2002*
United States	2.1%	3.7%
Europe	2.9%	2.7%
Japan	1.8%	2.3%
East Asia and Pacific	6.4%	6.0%
Latin America and Caribbean	4.1%	4.3%
Middle East and North Africa	3.8%	3.6%

Sources: Bank of Montreal: *International Economic Review* (January 2001); World Bank: *Global Economic Prospects 2001* (December 2000)

Europe is expected to post relatively strong economic growth this year. This region will be less affected by the slowdown in the U.S. economy, which accounts for only 16% of Europe's exports. Tax cuts, stable monetary policy and solid employment growth are expected to maintain growth and help support the appreciation of the Euro currency.

The Japanese economy has been struggling for many years, even with interest rates close to zero. While the economy was showing signs of recovery last year, the slowdown in the U.S. economy, which accounts for 30% of its exports, has made the economic outlook for Japan more pessimistic.

Economic growth in other East Asian and Pacific countries was very strong in 2000. The increase in oil prices has slightly bruised prospects for East Asia and Pacific countries this year; however, the region is still expected to outperform all other regions in economic growth.

Latin America and the Caribbean countries are, in general, expected to experience solid growth, although they are vulnerable to both declines in commodity prices and decreased investment dollars.

Although high oil prices have boosted growth among oil-exporters, political instability in the Middle East has damaged the investment climate. Many non-oil exporters in Africa have been beset by low commodity prices, poor weather and political disruption.

United States Economy

The U.S. economy is starting to slow down after the longest and strongest period of growth in its history. After nine years of growth averaging 3.75% per year, the U.S. economy is expected to show zero or marginal growth in the first part of this year.

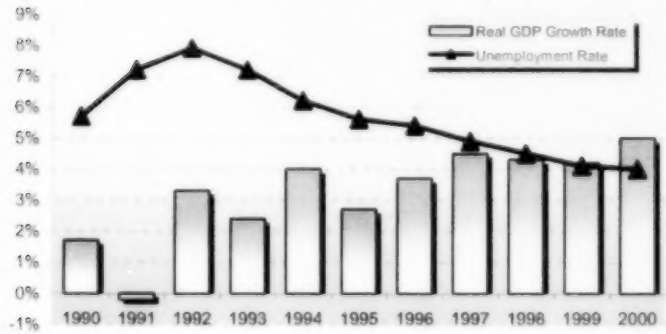
Hikes in U.S. interest rates over the past year had the intended effect of slowing down an overheated economy and bringing share valuations back down to earth. A slowdown became apparent last fall with a decrease in auto sales and manufacturing activity and has recently shown up in GDP figures.

The U.S. Federal Reserve Board cut interest rates by a full percentage point in January and is expected to follow up with further cuts this year[1]. Whether this works in steering the economy to a soft landing will emerge during the year. A danger remains that high levels of personal and corporate debt levels and dropping asset values may accelerate a downturn.

A slowdown in the U.S. will have a significant impact on the Canadian economy because of the close economic links and high level of trade between the two economies. The U.S. slowdown is also affecting the Yukon economy. Lower U.S. housing starts have softened lumber prices while a drop in auto sales will keep a cap on zinc prices.

Despite the slowdown in the lower forty-eight, the Alaskan economy is expected to boom this year, charged by oil and gas production. According to Alaska State economists, employment growth should reach 1.8% in 2001. Record high Permanent Fund dividend payouts will further stimulate consumer spending and retail sales.

United States GDP Growth and Unemployment Rate



[1] 100 basis points equals one percentage point.

Canadian Economy

The Canadian economy grew by 4.7% in 2000, bringing total output growth to 33% over the past nine years. The national unemployment rate for the year dropped to 6.8%, the lowest since 1974.

Despite the recent decline in the stock market and slowdown in the U.S. economy, the Canadian economy is expected to continue to expand this year and next although at a slower pace.

Consensus Forecast of the Canadian Economy 2001-2002

	2001	*2002*
Real GDP	3.0%	3.5%
Unemployment rate	6.9%	6.6%
Inflation (CPI)	2.5%	2.0%
3 Month T-Bill rate	5.2%	5.3%
Long-term bond rate	5.4%	5.7%
Exchange rate (US$/C$)	68.0¢	70.1¢

Average of December and January forecasts from the Conference Board of Canada, TD Bank, Royal Bank, CIBC, Scotiabank, and the Bank of Montreal

Major banks and economic forecasters expect Canada to grow at an average rate of 3.0% this year and by 3.5% in 2002. Employment growth is expected to slow down, but remain positive, stabilizing the unemployment rate.

Federal, provincial and territorial tax cuts will provide Canadian households with over $10 billion in additional spending power this year, stimulating domestic demand and increasing economic growth by about ½ percent.

Canadian interest rates may drop further, but are not expected to be cut as much as in the U.S. because the Canadian economy is in better shape and planned tax cuts are already expected to boost the domestic economy this year. The impact of high energy prices will keep the Canadian consumer inflation rate at about 2.5% this year before declining to slightly above 2.0% next year. It is expected that a relatively stronger Canadian economy together with higher short-term interest rates will help to push up the value of the Canadian dollar relative to the U.S. during this year and next.

Alberta and Newfoundland are expected to post the strongest growth in Canada at over 4% each this year, fuelled by their oil and gas industries. The unemployment rate in Alberta dropped to 5% last year and has led to a labour shortage in the oilpatch sector. With gushing revenues, the Alberta government will cut income taxes this year, further stimulating the economy.

According to the Conference Board of Canada, British Columbia's economy is expected to expand by about 2.7% this year, slower than the national average because of a sluggish forest sector. BC's unemployment rate is expected to average 7.8% this year.

The economy of the Northwest Territories is growing strongly, with considerable activity in construction, diamond mining, diamond polishing and cutting, and oil and gas exploration.

2. Outlook for the Yukon Economy

Economic Output

The Yukon economy has strong potential with oil and gas and pipeline development over the medium and long term, but continues to face short-term challenges over the next year[2].

Low metal prices are causing continued depression in the mining sector while recent high fuel prices and other factors have cut into the tourist visitor numbers.

In 1999, Yukon's real GDP grew by 1.0% following declines of -2.5% in 1998 and -7.7% in 1997.[3] Increased tourism, higher levels of construction, a booming forest sector and greater government spending offset a continued decline in the mining sector. Summer tourism visitation grew by over 5% during 1999 and helped to increase retail sales by 4% during the year.

GDP figures for 2000 year are not available yet, but indications are that the economy may have declined slightly[4]. Increased government and consumer spending were not sufficient to offset the continued decline in mining, a drop in private sector construction, and a drop in tourist numbers. It is estimated that, because of these factors, the Yukon's real GDP dropped by 2% last year, after adjusting for inflation.

With high gasoline prices and low metal prices expected for the rest of this year, the Yukon economy will continue to face challenges over the short term. Economic output in real terms is expected to remain about the same or decline slightly in 2001.

An announcement in favour of a pipeline down the Alaska Highway, expected in the fall, would provide a boost to Yukon economy. Impacts during 2001 are not expected to be significant. However, shortly after a decision is made in favour of an Alaska Highway Pipeline, but before construction commenced, the Yukon would start to experience some positive economic impacts. These impacts include an inflow of investment, increase in construction, pre-construction spending on planning and feasibility, and population growth. Further analysis of the potential economic impacts of a pipeline is now underway.

---

2 "Short-term" is defined here as within the next year; "medium-term" as 2 – 5 years; and long-term as over five years.

3 GDP in this publication is reported on an economic accounts, rather than industry, basis and is adjusted for inflation.

4 GDP figures for 2000 will not be available until fall of this year.

Population

Changes in the Yukon's population are primarily caused by economic conditions. Strong migration flows in and out of the territory each year tend to overwhelm the impact of natural population growth.

Over the past four years, net out-migration has exceeded natural population increase and led to a drop in the Yukon's population. This trend continued last year with slow growth in the Yukon economy and strong job markets in other parts of Canada.

Outlook for Population

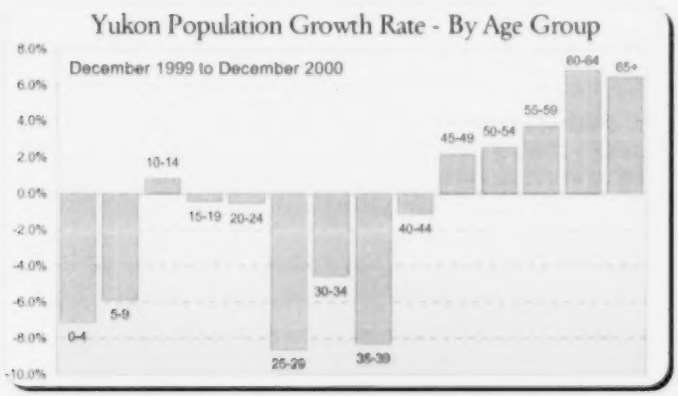
- The Yukon's population is expected to decline slightly again this year.
- The Yukon's annual average population is expected to decrease to 30,400 in 2001.
- Similar to national trends, the number of people aged 65 and over is expected to continue to grow.

The Yukon Bureau of Statistics reports that the population dropped by 390 to an average of 30,776 last year, a drop of 1.3% from 1999 levels. The population dropped through the year, but was particularly steep in the last six months, reaching 30,553 in December.

Virtually all Yukon communities lost population last year. The largest declines were experienced in the communities of Faro, Dawson City, Whitehorse and Watson Lake.

Out-migration appears to have been strongest among young working age individuals and families with young children: the population of those aged 25 – 39 dropped by 7.2%, while the number of children under 10 dropped by 6.4%. In contrast, the number of people aged 45 – 59 increased by 2.7% while the number of Yukoners aged 60 and over increased by 6.6%.

With slow economic growth expected in resource and tourism sectors, the Yukon's population is expected to decline again this year, although at a slower rate than in recent years.



A decision to build a pipeline down the Alaska Highway would have a strong and positive impact on population growth in future years.

Labour Force and Employment

The average number of people employed in the Yukon increased slightly to 13,475 last year, up from 13,442 in 1999.

Unemployment dropped by 267 to an average of 1,750 last year. Lower unemployment helped reduce the unemployment rate to an average of 11.5% last year, down from 13.1% in 1999.

Outlook for Employment

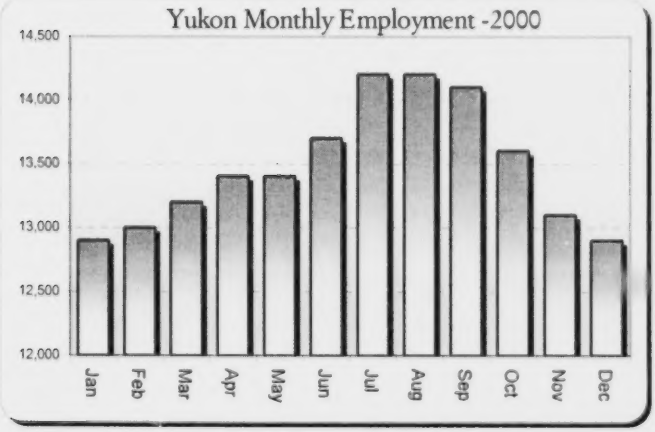
- The labour force is expected to decline slightly this year to 15,000, with further out-migration of job seekers.
- Unemployment is expected to average 10.5% this year with 13,400 employed and 1,600 unemployed

Employment growth was strong in the spring with new construction activity but then tapered off in the summer with a slower than expected tourist season. Strong job markets in other provinces helped increase out-migration from the Yukon last year, leading to a drop in the size of the labour force by 225 people.

Employment in goods sector industries, such as mining and construction, continued to decline, while service sector employment increased. Part-time workers averaged 20% of total employment in 2000 – up from 18% in 1999 and 15% in 1996.

Last year also saw further increases in the number of self-employed, which averaged 2,700 last year, or 20% of total employment. Many of these self-employed are working in a range of different sectors, such as business and professional services, film and cultural industries and construction. The Yukon trend towards greater levels of self-employment also reflects a national trend.

Employment is not expected to increase over the next year, with continued low metal prices depressing the mining sector and high fuel prices deterring rubber-tire tourism. Further out-migration is expected to lead to a drop in the number of unemployed and a decline in the unemployment rate to 10.5% this year.



Consumer Prices

Higher oil and natural gas prices pushed inflation to a ten-year high of 2.7% in Canada last year. Inflation in Whitehorse was lower, averaging 2.2% in 2000.

Outlook for Consumer Prices

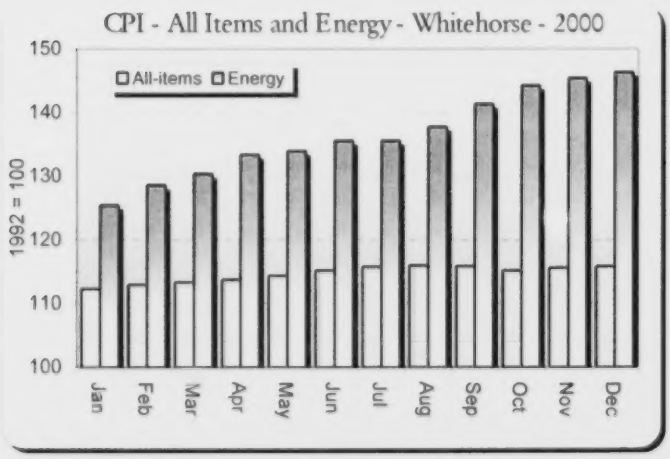
- Consumer prices in Whitehorse are expected to increase by an average of 2.5% this year, similar to the national average.

The national inflation rate excluding the direct cost of energy was 1.5% last year while the rate for Whitehorse excluding energy was only 0.8%. The average price of home heating fuel increased by 35% - 40% last year, while the average price of gasoline increased by about 20%.

Higher energy prices would normally lead to higher prices for other goods, especially in the Yukon with heavy dependence on transportation and fuel costs. This has not happened to any significant degree so far. Many retailers, and particularly national chains, have absorbed energy price increases without increasing their retail prices in Whitehorse. However, if energy prices remain high for a sustained period, these costs will eventually be passed on to consumers through higher retail prices.

Lower housing prices and flat rents led to a drop in the cost of housing for Whitehorse residents last year. A good supply of houses on the market, high vacancy rates for rental units and declining mortgage rates should keep housing cost increases low this year.

Despite the increase in oil prices, electricity costs for most Yukon consumers will not increase this year, with the Yukon government's Rate Stabilization Fund guaranteeing stable electrical costs for most consumers through to March 2002.



While most other prices are expected to remain fairly stable, the cost of home heating could average about 15% higher than last year. These costs will help to nudge up the inflation rate to about 2.5% this year.

Mineral and Commodity Prices

Gold

Gold prices have been kept low by a combination of factors in recent years: low inflation, a strong U.S dollar, the booming technology sector, and major sell-offs of gold by European Central Banks. Little recovery is in sight, with prices expected to average less than $300 U.S. this year.

Outlook for Commodity Prices in 2001 – Survey of Forecasts

- Gold: $260.00 - $290.00 US/oz
- Zinc: $0.49 - $0.55 US/lb
- Lead: $0.22 - $0.25 US/lb
- Silver: $4.50 - $5.00 US/oz
- Copper: $0.85 - $0.90 US/lb
- Oil: $26 - $27 US/barrel WTI
- Natural Gas: $4 - $5 US/mcf
- Lumber: $190 - $220 US/mbf SPF 2X4

Other Base and Precious Metals:

- *Zinc:* a decrease in North American auto production and increased world mine output will keep prices low over the short-term.
- *Lead:* increased demand for lead in batteries will be matched by increases in supply, leading to moderate price increases in 2001.
- *Silver:* stagnant demand and overproduction are expected to keep silver prices below $5.00 U.S./oz for the next year.
- *Copper:* increased demand for electrical and telecommunications infrastructure and household uses will help to boost prices early this year.

Oil

The price of crude oil has more than doubled in the last couple of years, rising to an average of over $30 U.S. for a barrel of West Texas Intermediate in 2000. Recent OPEC cuts and tight production control should keep prices relatively high in the short-term, averaging $26 - $27 in the next year with a gradual easing in 2002 to the $23 - $25 range.

Natural Gas

High demand for natural gas in the U.S. coupled with a tight supply sent natural gas prices soaring to highs of over $10 U.S./million cubic feet in late 2000. Last year, natural gas wellhead prices averaged $3.73 U.S./mcf – an increase of 72% over the previous year. This year, prices are expected to drop to between $4 and $5/mcf following the winter heating season.

Lumber Prices

Strong U.S. housing construction helped drive the price of lumber up in 1999. However, since then, excess lumber production and a drop in U.S. construction activity has cut the price of lumber in half. The slowing U.S economy is expected to further soften lumber prices this year.

3. Sectoral Outlook

Mining

Outlook for Mining

- The outlook for the mining sector is uncertain.
- The value of mineral production in the Yukon this year is expected to total $55 - $60 million.
- Significant production and development decisions will hinge on gold prices and other factors.

The outlook for the mining sector is uncertain. Continued difficulties in raising funds, stagnant gold prices and uncertainty over the American and Asian economies are contributing to a wary investment climate for the Yukon mining industry.

The total value of mineral production last year is estimated to have been $55 to $60 million, compared to $62 million in 1999. Yukon's only operating hardrock mine, Brewery Creek Gold mine, produced an estimated 45,000 to 50,000 ounces of gold last year, compared to 48,164 ounces in 1999. A decision to mine this year will depend largely on the price of gold. If the decision is not to mine at Brewery Creek, the value of mineral production this year will be sustained solely by placer gold production, which is estimated at $20 to $30 million for 2001.

A signed water license is in place for the Minto copper-silver-gold project, but further infrastructure development on-site will depend on metal prices, financing and a production decision by project owners.

The Kudz Ze Kayah and Wolverine copper-lead-zinc-silver-gold projects were consolidated in 2000 into the Finlayson project by Expatriate Resources. The project was significantly advanced towards development by a positive pre-feasibility study. This consolidation spurred exploration efforts in the area. The company intends to complete a feasibility study in 2001, leading to a production decision in early 2002.

Spending on exploration in the Yukon declined further in 2000 to a total of $8.8 million, down from $9.5 million in 1999. Poor commodity prices and the lack of investors participating in the junior mining sector continue to have a nullifying effect on the industry. Although expenditures are expected to remain low in 2001, an increase in the amount of the Yukon Mineral Exploration Tax Credit from 22% to 25% and increased funding for the Yukon Mining Incentives Program are expected to help stem any further decreases.

Oil and Gas

The outlook for Yukon's oil and gas industry is bright. Limited production and rising demand, particularly for natural gas, have contributed to a tripling of oil and natural gas prices in recent years. North American demand for natural gas is expected to increase by a further 25% this decade.

Outlook for Oil and Gas

- Oil and gas exploration spending of $11 million or more is expected, focusing on the Liard Plateau and Eagle Plain.
- Natural gas production from Kotaneelee is forecast to be 600 million cubic metres.

High prices have led to renewed interest in pipeline construction aimed at moving Alaska's huge reserves of natural gas to southern markets. The three major gas producers on Alaska's North Slope recently committed $75 million U.S to evaluate and cost alternate routes for a pipeline over the next year. A decision over route selection is expected later this year.

If the Alaska Highway route is chosen, it will have a very large impact on the Yukon economy, with spending in the Yukon expected to top $2 billion during the construction phase. While construction would not start for a few years, preliminary planning is underway to determine and maximize potential benefits for the Yukon.

Whatever route is chosen, the Yukon will benefit significantly from both spending on a pipeline and from the positive impact a pipeline will have on field exploration and development in the Yukon and in neighbouring jurisdictions. Yukon's common oil and gas regime and a pipeline make Yukon's largely untapped oil and gas industry attractive.

Three geoscience exploration programs were licensed in 2000. To date, over 400 km of seismic programs have been conducted. The level of exploration is expected to increase in 2001. Four seismic programs have been proposed for Yukon in 2001 totalling over 480 km.

As part of the first issuance of oil and gas rights in November 1999, Anderson Resources Ltd. was granted oil and gas exploration rights in the Eagle Plain for which they committed to spend $20 million over the next six years. Exploration activity in the area is expected to start in February and create up to 60 short-term jobs. Yukon's second issuance of oil and gas rights in the Eagle Plain of northern Yukon is planned to close in March.

Yukon's two natural gas wells are located in the Kotaneelee field of southeast Yukon. Production for 2001 is forecast to be 600 million cubic metres, about 5% above last year's levels.

Forestry

Forest products have become a valuable Yukon commodity in recent years. Lumber exports have increased and, in addition to harvesting and milling, many Yukon companies are adding-value to the raw material, producing items from furniture to houses.

Outlook for Forestry

- Continued development of value-added facilities is expected to maintain the industry through 2001.

Growth in the forest sector is expected over the next several years, but it is closely linked to the availability of long-term tenure agreements and an increase in milling and processing capacity within the Yukon. In 2000, all of the available wood under the harvest ceiling was allocated for harvest, except for the La Biche area, although not all was harvested. It is expected that harvest levels this year will remain at the same level as last year pending the completion of public consultations on forest management and the Timber Harvest Agreement process.

Slumping market prices for wood and the lack of processing facilities in the Yukon resulted in a slowdown in lumber production last year. The industry's largest operator, South Yukon Forest Corp., shut down its operations early last summer. The downturn in prices has similarly affected many of the smaller operators. Many operators are now investigating niche and value-added markets.

Dakwakada Forest Corporation is expected to have its kiln in operation during 2001 and produce both graded greenwood and kiln dried products through much of the year. A majority of its wood supply comes from beetle infested and fire kill wood adjacent to Haines Junction. Lewes River Timber recently opened a value-added facility in Whitehorse with production aimed at the Alaskan market. Other Yukon forest companies also show promise for increased production of lumber and other value added forest products.

Consultation about major issues on forest management and the Timber Harvest Agreement process should be completed prior to this summer. Finalizing these initiatives will enable continued growth in the industry and attract investors by providing greater security for industry's source of wood fibre.

Other Renewable Resources

Agricultural production sold in the Yukon was approximately $3.9 million in 2000, similar to 1999 levels. Livestock and broiler production increased, although forage production and eggs decreased. Poor weather in the past growing season caused serious losses in the forage sector.

The value of production is expected to increase by 5% this year due to growth in the forage, cereal, game farm and livestock sectors.

Outlook for Renewable Resources

- The value of agricultural production is expected to increase by 5% this year.
- The lake trout harvest in 2001 is expected to stay the same or decline slightly.
- The value of Yukon fur harvest is expected to remain stable.

Yukon River chinook and chum salmon experienced poor runs for the second year in a row. Poor returns led to a cancellation of the commercial chinook fishery again last year. The chum salmon commercial fishery was limited to a one-day fishery used for stock assessment purposes only.

Changing ocean temperatures in the Bering Sea and the North Pacific appear to be causing big changes in salmon return rates, although this has not been scientifically determined yet. While the cause has not been definitively established, expectations are that returns will remain low again this year.

The estimated volume of commercial production of freshwater fish (lake trout, lake whitefish, and other species) in 2000 was higher than what was reported for 1999. An estimated 2,500 kilograms of lake trout were harvested last year, up from 800 kg in 1999. This number increased due to more commercial fishers operating during the past season. Expectations for this year are that the lake trout harvest will stay the same or decline slightly.

The value of the Yukon fur harvest increased to approximately $300,000 in 1999/2000, up by 33% from the previous trapping season. The value of furs sold in the 2000/01 season is expected to be the same as the previous year.

After a decade of low returns, the market for furs is looking more positive. A recent agreement on international humane trapping standards now ensures that Canadian furs can't be banned from European markets. The Yukon Trappers' Association is also developing a marketing plan to promote Yukon furs as a higher end speciality product and enhance the craft use of furs.

Construction

Last year was a year of many delays in the construction industry. Plans to construct a new mall in Whitehorse were stalled and construction on both the new Whitehorse multiplex and the Mayo school were delayed to prevent costs running over budget.

Outlook for Construction

- Delayed projects from 2000 will help to boost the construction industry this year.
- New residential construction is expected to remain relatively low.
- Permitted building construction is expected to decrease to $45 million this year.

Despite these delays, the total value of permitted building construction increased by 13% to $56 million last year. Construction in 2000 was dominated by $34 million in institutional projects, including the continuing care facility in Whitehorse and the new recreation centre in Dawson City.

Although the value of institutional and industrial building permits increased last year, the value of commercial and residential permits both saw double-digit percentage drops. The total value of residential permits issued in 2000 dropped by 19% to $14.2 million – a twelve-year low. On the commercial side, the value of new permitted construction dropped by 34% to $6.6 million.

The decline in population has led to high rental vacancy rates and a build-up of unsold residential lots; consequently, new residential housing construction will likely remain low this year. However, the Yukon Housing Corporation's enhanced Home Repair programs are expected to provide some stimulus to the construction industry this winter and spring.

Holdover projects should account for much of the construction spending in 2001. Construction of the new Mayo Community School, work on the Whitehorse Aqua Centre and waterfront development will probably make up the bulk of building construction spending. The forecast for building permits does not include the value of a possible Walmart store, which would hike permitted construction spending in Whitehorse by about $4 to $8 million.

Shakwak construction will again account for the majority of highway construction in 2001. Approximately $23.5 million is expected to be spent on the project this year. In addition, the Alaska Highway east of Haines Junction, the Campbell Highway and other areas will see some activity.

Dawson airport construction is still waiting a funding decision from Ottawa. However, work should continue on the upgrade of the Whitehorse airport water system this year.

Communications and Utilities

Both the Yukon Energy Corporation and Northwestel are planning major capital projects this year.

Outlook for Communication and Utilities

- Construction of a Mayo-Dawson transmission would cost over $20 million and provide 70 person years of employment over two years.
- The *Connect Yukon* project will provide high-speed data and Internet to Carmacks, Pelly Crossing, Mayo and Dawson City.
- Northwestel is planning to spend $12 million on capital in the Yukon this year.

The Yukon Energy Corporation plans to construct a transmission line from Mayo to Dawson City subject to a final decision to be made early in the year. The project is designed to enable Dawson City and other customers on the route to use surplus hydro from Mayo and reduce their dependence on diesel fuel.

The transmission line project will cost over $20 million and is expected to provide 70 person years of direct employment over the two-year design and construction period. At current diesel prices, the project is expected to result in a net cost savings, thereby decreasing pressure on future rates.

In addition to the Mayo-Dawson line, the YEC is expecting to spend $5.9 million on capital this year, up from $4.5 million last year.

Northwestel is also proceeding with a major four-year service improvement plan, partially funded with contributions from southern telephone companies. About $3.6 million will be spent this year on the service improvement plan in the Yukon. In addition, the company is planning to spend another $8.4 million on other capital projects in the Yukon this year.

Capital spending under the *Connect Yukon* project is expected to total $7 million this year. Last year, the project put infrastructure in place for high-speed data and Internet services to the communities of Watson Lake, Teslin, Carcross, Haines Junction, Destruction Bay, Beaver Creek and Old Crow. Extension of these services to Carmacks, Pelly Crossing, Mayo and Dawson City is scheduled for completion this year.

Tourism

The number of visitors coming to the Yukon, as measured by the number of total non-Yukon resident border crossings, declined by 7% in 2000 compared to the year before. Non-Yukon resident border crossings last year totaled approximately 262,000, down from 281,500 in 1999.

Outlook for Tourism

- Flat or modest growth in Yukon visitor numbers, according to the Conference Board of Canada.
- Winter tourism will experience modest growth due to high profile events and a growth in Northern Lights viewing.
- Wilderness tourism is expected to continue to show strong growth year-round.

The drop in visitors was primarily due to fewer highway travelers from southern U.S. and Canadian markets. Border crossing statistics show a decline of almost 8% for American visitors while the number of overseas visitors declined by 2%. Rising gas prices and the poor weather helped to reduce the number of visitors to the Yukon.

North American tourism markets are expected to experience flat or modest growth in 2001. Higher gasoline prices, increased airfares and a slowdown in the U.S. economy are expected to limit tourism growth across Canada. Yukon can also expect flat or modest growth in the number of visitors in 2001 compared to 2000, according to the Conference Board of Canada.

Yukon Tourism is countering this slow growth in visitor numbers with the 'Stay Another Day" program. The program encourages visitors to stay longer and spend more money in the Yukon. The Yukon has also begun marketing in other emerging markets. A European sales mission revealed interest in Italy, Netherlands and the United Kingdom. The Yukon is still a popular destination for German travelers. Although one air carrier has exited the market, another has added an additional weekly flight for summer 2001.

Winter tourism is growing. It will get a boost from increased national promotion of the "Thunder on Ice" snowmobile competition, the Quest and the Fulda Challenge Yukon Canada event. Northern Lights viewing for Japanese and Taiwanese visitors is a new and quickly expanding market for the Yukon. Dog mushing tour operators also report high bookings.

While rubber tire tourism dropped last year, wilderness tourism has been bouyant. The number of registered operators increased to 100 last year from 94 in the previous year. Established firms reported record high bookings last year and further increases are expected this year.

Government

Government spending traditionally provides stability for the Yukon economy.

Outlook for Government

- Income tax reductions will help to provide stimulus to the economy.

The Yukon government is highly dependent on transfers from the federal government, with territorial revenues providing less than 20% of the Yukon government's total income.

Transfers from the federal government are based on a formula that helps provide the Yukon with a relatively stable level of funding. The amount of transfer is affected by the relative growth rate in population between Canada and the Yukon, overall changes in provincial-local government spending and changes in the Yukon government's tax revenues.

Total net budgetary spending by the Yukon government increased by 6.3% to $452 million in 2000/2001, up from $425 million the previous year, with increased O&M costs responsible for virtually all the increased spending. Retroactive pay equity increases helped to boost federal government spending last year.

Federal and territorial income tax cuts announced in recent budgets will help to stimulate the Yukon economy. The combined value of the federal and Yukon personal income tax cuts will increase household disposable income in the Yukon by over $10 million this year.

The Yukon and other governments are supporting a number of large construction projects this year, many of which are continued projects from last year. These include the Whitehorse Aqua Centre, the Mayo School, Whitehorse waterfront development, the continuing care facility and reconstruction of the Alaska Highway.

Retail and Wholesale Trade

Retail sales grew by 4.4% in 2000, representing the ninth straight year of growth. Despite the decline in tourism, sales increased to about $344 million last year from $329 million in 1999.

Low interest rates, slightly higher employment and higher fuel prices contributed to the growth in retail sales. Cold summer temperatures helped perk up restaurant receipts, which were about 7% higher than 1999 levels.

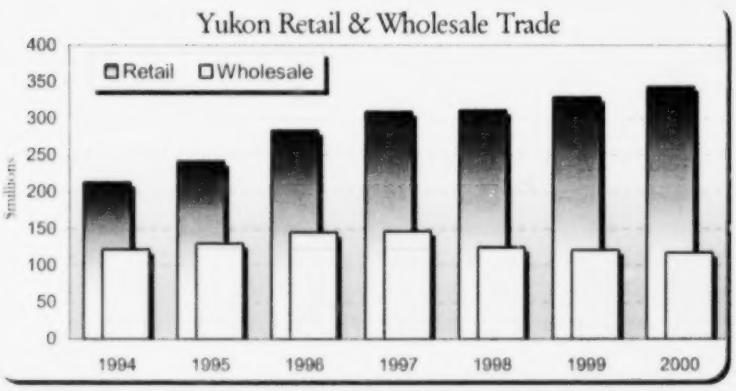
Outlook for Trade

- Increased levels of disposable income, lower interest rates, and higher prices will boost the value of retail sales this year.
- Retail trade sales are expected to increase by 2% to about $350 million in 2001.
- Wholesale sales are expected to decline slightly or remain the same.

Across Canada, retail spending has increased at twice the rate of personal disposable income over the past decade. High levels of spending have led to a significant drop in the personal savings rate, which fell to 3.6% in 1999 from 13% a decade ago. The situation in the Yukon is much healthier. While the level of retail spending in the Yukon has grown much faster than disposable income, the personal savings rate in the Yukon remains the highest in Canada at over 18% of personal disposable income.

Wholesale sales declined by 2.7% last year, following a drop of 3.4% in 1999 and of 14.8% in 1998. Wholesale sales have been driven down by the declining goods and resource sectors, a drop in residential construction, and a shift from wholesale to retail spending.

The value of retail sales is expected to increase slightly this year, thanks to federal and territorial tax cuts and higher average fuel and gas prices than last year.



Key Economic Indicators Summary Table

Indicator	1999	2000	2001(f)
Population, Prices, Rates †			
Population	31,166	30,776	30,400
Inflation Rate (CPI for Whitehorse)	1.0%	2.2%	2.5%
Prime Rate	6.44%	7.27%	7.00%
U.S./Canada Exchange Rate	$0.673	$0.673	$0.680
Employment †			
Labour Force	15,467	15,242	15,000
Employment	13,442	13,475	13,400
Unemployed	2,017	1,750	1,600
Unemployment Rate	13.1%	11.5%	10.5%
Economic Output			
Real Gross Domestic Product (1992$)	$997 million	$978 million (e)	$970 million
Real GDP Growth Rate	1.0%	-2.0%	-1.0%
Commodity Prices †			
Gold	$278.98 US/oz	$279.11 US/oz	$260 - $290 US/oz
Silver	$5.22 US/oz	$4.95 US/oz	$4.50 - $5.00 US/oz
Lead	$0.23 US/lb	$0.21 US/lb	$0.22 - $0.25 US/lb
Zinc	$0.49 US/lb	$0.51 US/lb	$0.49 - $0.55 US/lb
Copper	$0.72 US/lb	$0.83 US/lb	$0.85 - $0.90 US/lb
Oil (West Texas Intermediate Crude)	$19.24 US/barrel	$30.29 US/barrel	$26 - $27 US/barrel
Natural Gas	$2.32 US/mcf	$3.73 US/mcf	$4.00 - $5.00 US/mcf
Lumber	$343 US/mbf2X4	$257 US/mbf2X4	$190 - $220 US/mbf 2X4
Mining			
Value of Mineral Production	$61.8 million	$55 - $60 million (e)	$55 - $60 million
Exploration Expenditures	$9.5 million	$8.8 million (e)	--
Development Expenditures	$6.5 million (e)	--	--
Oil and Gas			
Volume of Natural Gas Production	628,788,000 m^3	569,639,000 m^3	600,000,000 m^3
Tourism			
Visitation (Border Crossings) +	281,532	261,852	263,000
Government			
Net YTG Expenditures*	$425 million	$452 million	$452.5 million
Construction			
Permitted Building Construction	$49.4 million	$56 million	$45 million
Retail Trade			
Value of Retail Sales	$329 million	$344 million	$350 million
Renewable Resources			
Value of Agriculture Production	$3.9 million	$3.9 million (e)	$4.1 million
Value of Fur Production*	$300,000	$300,000 (e)	--
Yukon River Commercial Salmon Harvest	10,402 chum 3140 chinook	1,319 chum Nil chinook	-- --

e = estimated, f = forecast,
-- = not available
† annual averages
** 1999 = 1999/2000; 2000 = 2000/2001; 2001 = 2001/2002.*
+ Not including train arrivals, air arrivals, marine arrivals in Dawson City or Yukon residents.

Data Sources:

Indicator	*Source*
Population	1999 and 2000: Yukon Bureau of Statistics, *Yukon Population Estimates.* 2001: Yukon Economic Development forecast.
Inflation (Consumer Price Index)	1999 and 2000: Statistics Canada, *Consumer Price Index.* 2001: Yukon Economic Development forecast.
Prime Rate	1999 and 2000: Bank of Canada (average of end of the month rates). 2001: Yukon Economic Development forecast.
Canada/U.S. Exchange Rate	1999 and 2000: Bank of Canada (daily average noon rate). 2001: Yukon Economic Development survey of forecasters.
Labour Force Indicators	1999 and 2000: Yukon Bureau of Statistics *Yukon Employment.* 2001: Yukon Economic Development forecast.
Economic Output (GDP)	1999: Statistics Canada, *Provincial Economic Accounts* Cat. No.13-213. 2000 and 2001: Yukon Economic Development forecast.
Metal Prices	1999 and 2000: London Metal Exchange: metalprices.com, kitco.com. 2001: Yukon Economic Development survey of forecasters.
Value of Mineral Production	1999: Yukon Bureau of Statistics, *Yukon Annual Statistical Review 1999.* 2000: Natural Resources Canada Minerals and Metal Sector ISSN 0709-292X (SS# 00-12) and Yukon Economic Development 2001: Yukon Economic Development forecast.
Exploration and Development	1999 and 2000: Department of Indian Affairs and Northern Development, Exploration and Geological Services Division.
Natural Gas Production Volume	All years: Yukon Economic Development, Oil and Gas Branch.
Tourism Visitation	1999 and 2000: Yukon Bureau of Statistics and Tourism Yukon. 2001: Tourism Yukon, from *Travel Markets Outlook 2001* – The Canadian Tourism Research Institute, Conference Board of Canada.
YTG Expenditures	All years: Yukon Finance, *Supplementary Estimates* (various issues).
Permitted Building Construction	1999 and 2000: Yukon Bureau of Statistics. 2001: Yukon Economic Development and Yukon Community and Transportation Services.
Retail Trade	1999 and 2000: Statistics Canada, *Retail Trade,* Cat. No. 63-005. 2001: Yukon Economic Development forecast.
Salmon Harvest	All years: Department of Fisheries and Oceans.
Fur Production	1999/00 and 2000/01: Yukon Renewable Resources.
Agriculture Production	All Years: Yukon Renewable Resources, Agriculture Branch; Census of Agriculture.

Internet Web Sites of Reference

Yukon Economic Development	http://www.economicdevelopment.yk.ca/
Yukon Economic Update	http://www.economicdevelopment.yk.ca/update.htm
Yukon Bureau of Statistics:	http://www.yukonweb.com/government/ybs/
Statistics Canada:	http://www.statcan.ca/
Bank of Canada:	http://www.bankofcanada.ca/
MetalPrices	http://www.metalprices.com/
Kitco Inc.	http://www.kitco.com/
Natural Resources Canada	http://www.nrcan.gc.ca/
Industry Canada Strategis	http://strategis.ic.gc.ca/